



House of Representatives

General Assembly

File No. 349

February Session, 2008

Substitute House Bill No. 5845

House of Representatives, April 1, 2008

The Committee on Finance, Revenue and Bonding reported through REP. STAPLES of the 96th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE HOMECARE OPTION PROGRAM FOR THE ELDERLY (HOPE).

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of
2 section 12-701 of the 2008 supplement to the general statutes is
3 repealed and the following is substituted in lieu thereof (*Effective July*
4 *1, 2008, and applicable to taxable years commencing on or after January 1,*
5 *2008*):

6 (B) There shall be subtracted therefrom (i) to the extent properly
7 includable in gross income for federal income tax purposes, any
8 income with respect to which taxation by any state is prohibited by
9 federal law, (ii) to the extent allowable under section 12-718, exempt
10 dividends paid by a regulated investment company, (iii) the amount of
11 any refund or credit for overpayment of income taxes imposed by this
12 state, or any other state of the United States or a political subdivision
13 thereof, or the District of Columbia, to the extent properly includable

14 in gross income for federal income tax purposes, (iv) to the extent
15 properly includable in gross income for federal income tax purposes
16 and not otherwise subtracted from federal adjusted gross income
17 pursuant to clause (x) of this subparagraph in computing Connecticut
18 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
19 extent any additional allowance for depreciation under Section 168(k)
20 of the Internal Revenue Code, as provided by Section 101 of the Job
21 Creation and Worker Assistance Act of 2002, for property placed in
22 service after December 31, 2001, but prior to September 10, 2004, was
23 added to federal adjusted gross income pursuant to subparagraph
24 (A)(ix) of this subdivision in computing Connecticut adjusted gross
25 income for a taxable year ending after December 31, 2001, twenty-five
26 per cent of such additional allowance for depreciation in each of the
27 four succeeding taxable years, (vi) to the extent properly includable in
28 gross income for federal income tax purposes, any interest income
29 from obligations issued by or on behalf of the state of Connecticut, any
30 political subdivision thereof, or public instrumentality, state or local
31 authority, district or similar public entity created under the laws of the
32 state of Connecticut, (vii) to the extent properly includable in
33 determining the net gain or loss from the sale or other disposition of
34 capital assets for federal income tax purposes, any gain from the sale
35 or exchange of obligations issued by or on behalf of the state of
36 Connecticut, any political subdivision thereof, or public
37 instrumentality, state or local authority, district or similar public entity
38 created under the laws of the state of Connecticut, in the income year
39 such gain was recognized, (viii) any interest on indebtedness incurred
40 or continued to purchase or carry obligations or securities the interest
41 on which is subject to tax under this chapter but exempt from federal
42 income tax, to the extent that such interest on indebtedness is not
43 deductible in determining federal adjusted gross income and is
44 attributable to a trade or business carried on by such individual, (ix)
45 ordinary and necessary expenses paid or incurred during the taxable
46 year for the production or collection of income which is subject to
47 taxation under this chapter but exempt from federal income tax, or the
48 management, conservation or maintenance of property held for the

49 production of such income, and the amortizable bond premium for the
50 taxable year on any bond the interest on which is subject to tax under
51 this chapter but exempt from federal income tax, to the extent that
52 such expenses and premiums are not deductible in determining federal
53 adjusted gross income and are attributable to a trade or business
54 carried on by such individual, (x) (I) for a person who files a return
55 under the federal income tax as an unmarried individual whose
56 federal adjusted gross income for such taxable year is less than fifty
57 thousand dollars, or as a married individual filing separately whose
58 federal adjusted gross income for such taxable year is less than fifty
59 thousand dollars, or for a husband and wife who file a return under
60 the federal income tax as married individuals filing jointly whose
61 federal adjusted gross income for such taxable year is less than sixty
62 thousand dollars or a person who files a return under the federal
63 income tax as a head of household whose federal adjusted gross
64 income for such taxable year is less than sixty thousand dollars, an
65 amount equal to the Social Security benefits includable for federal
66 income tax purposes; and (II) for a person who files a return under the
67 federal income tax as an unmarried individual whose federal adjusted
68 gross income for such taxable year is fifty thousand dollars or more, or
69 as a married individual filing separately whose federal adjusted gross
70 income for such taxable year is fifty thousand dollars or more, or for a
71 husband and wife who file a return under the federal income tax as
72 married individuals filing jointly whose federal adjusted gross income
73 from such taxable year is sixty thousand dollars or more or for a
74 person who files a return under the federal income tax as a head of
75 household whose federal adjusted gross income for such taxable year
76 is sixty thousand dollars or more, an amount equal to the difference
77 between the amount of Social Security benefits includable for federal
78 income tax purposes and the lesser of twenty-five per cent of the Social
79 Security benefits received during the taxable year, or twenty-five per
80 cent of the excess described in Section 86(b)(1) of the Internal Revenue
81 Code, (xi) to the extent properly includable in gross income for federal
82 income tax purposes, any amount rebated to a taxpayer pursuant to
83 section 12-746, (xii) to the extent properly includable in the gross

84 income for federal income tax purposes of a designated beneficiary,
85 any distribution to such beneficiary from any qualified state tuition
86 program, as defined in Section 529(b) of the Internal Revenue Code,
87 established and maintained by this state or any official, agency or
88 instrumentality of the state, (xiii) to the extent allowable under section
89 12-701a, contributions to accounts established pursuant to any
90 qualified state tuition program, as defined in Section 529(b) of the
91 Internal Revenue Code, established and maintained by this state or
92 any official, agency or instrumentality of the state, (xiv) to the extent
93 properly includable in gross income for federal income tax purposes,
94 the amount of any Holocaust victims' settlement payment received in
95 the taxable year by a Holocaust victim, (xv) to the extent properly
96 includable in gross income for federal income tax purposes of an
97 account holder, as defined in section 31-51ww, interest earned on
98 funds deposited in the individual development account, as defined in
99 section 31-51ww, of such account holder, (xvi) to the extent properly
100 includable in the gross income for federal income tax purposes of a
101 designated beneficiary, as defined in section 3-123aa of the 2008
102 supplement to the general statutes, interest, dividends or capital gains
103 earned on contributions to accounts established for the designated
104 beneficiary pursuant to the Connecticut Homecare Option Program for
105 the Elderly established by sections 3-123aa to 3-123ff, inclusive, of the
106 2008 supplement to the general statutes, and (xvii) to the extent
107 properly included in gross income for federal income tax purposes,
108 fifty per cent of the income received from the United States
109 government as retirement pay for a retired member of (I) the Armed
110 Forces of the United States, as defined in Section 101 of Title 10 of the
111 United States Code, or (II) the National Guard, as defined in Section
112 101 of Title 10 of the United States Code.

113 Sec. 2. Subsection (a) of section 3-123aa of the 2008 supplement to
114 the general statutes is repealed and the following is substituted in lieu
115 thereof (*Effective July 1, 2008*):

116 (a) For purposes of sections 3-123aa to 3-123ff, inclusive:

117 (1) "Depositor" means any person making a deposit, payment,
118 contribution, gift or other deposit to the trust pursuant to a
119 participation agreement.

120 (2) "Designated beneficiary" means any individual who has been
121 designated as a beneficiary in the participation agreement, and may
122 include any individual who enters into a participation agreement or is
123 subsequently designated as a spouse or the partner to a civil union of
124 the designated beneficiary.

125 (3) "Eligible home care provider" means (A) a provider licensed in
126 Connecticut to perform home care services, (B) a homemaker or
127 companion service that is registered with the Department of Consumer
128 Protection, (C) licensed transportation services, or (D) a personal care
129 assistant.

130 (4) "Instrumental activities of daily living" means activities related to
131 independent living necessary to maintain an individual in their home
132 or other noninstitutional setting, and includes, but is not limited to,
133 adult day care, chore services, companion services, meal preparation
134 or home-delivered meals, or transportation or homemaker services.

135 (5) "Participation agreement" means the agreement between the
136 trust and depositors for participation in a savings plan for a designated
137 beneficiary.

138 (6) "Qualified home care expenses" means the cost of services
139 performed by an eligible home care provider for the instrumental
140 activities of daily living, and the cost of any other service
141 recommended by a physician and provided by an eligible home care
142 provider.

143 (7) "Trust" means the Connecticut Home Care Trust Fund.

144 Sec. 3. (NEW) (*Effective July 1, 2008*) (a) The Connecticut Home Care
145 Trust Fund shall constitute an instrumentality of the state and shall
146 perform essential governmental functions, as provided in this section
147 and sections 3-123aa to 3-123ff, inclusive, of the general statutes or the

148 2008 supplement to the general statutes, as amended by this act. The
149 trust shall receive and hold all payments and deposits or contributions
150 intended for the trust, as well as gifts, bequests, endowments or
151 federal, state or local grants and any other funds from any public or
152 private source and all earnings until disbursed in accordance with
153 section 3-123aa of the 2008 supplement to the general statutes, as
154 amended by this act.

155 (b) The amounts on deposit in the trust as individual savings
156 accounts shall not constitute property of the state and such amounts
157 shall not be construed to be a department, institution or agency of the
158 state. Amounts on deposit in the trust shall not be commingled with
159 state funds and the state shall have no claim to or against, or interest
160 in, such funds. Any contract entered into by or any obligation of the
161 trust shall not constitute a debt or obligation of the state and the state
162 shall have no obligation to any designated beneficiary or any other
163 person on account of the trust and all amounts obligated to be paid
164 from the trust shall be limited to amounts available for such obligation
165 on deposit in the trust. The amounts on deposit in the trust may only
166 be disbursed in accordance with the provisions of this section and
167 sections 3-123aa to 3-123ff, inclusive, of the general statutes or the 2008
168 supplement to the general statutes, as amended by this act. The trust
169 shall continue in existence as long as it holds any deposits or has any
170 obligations and until its existence is terminated by law. Upon
171 termination any unclaimed assets shall return to the state.

172 (c) The Comptroller shall be responsible for the receipt,
173 maintenance, administration, investing and disbursements of amounts
174 from the trust. The trust shall not receive deposits in any form other
175 than cash. No depositor or designated beneficiary may direct the
176 investment of any contributions or amounts held in the trust other
177 than in the specific fund options provided for by the trust.

<p>This act shall take effect as follows and shall amend the following sections:</p>
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Section 1	<i>July 1, 2008, and applicable to taxable years commencing on or after January 1, 2008</i>	12-701(a)(20)(B)
Sec. 2	<i>July 1, 2008</i>	3-123aa(a)
Sec. 3	<i>July 1, 2008</i>	New section

FIN *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Department of Revenue Services	GF - Revenue Loss	See Below	See Below
Comptroller	GF - See Below	None	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill excludes from the Personal Income Tax dividends and capital gains earned on contributions to a HOPE account. This will result in a future General Fund revenue loss contingent on the number of participants and the amount of income from dividends and capital gains earned annually. The timing of the loss will depend on the timing of when the accounts are set up and when distributions from them are taken.

There is no cost to the State Comptroller related to the administration of the HOPE trust fund. By design, all activities of the HOPE trust fund are paid by participants of the fund.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sHB 5845*****AN ACT CONCERNING THE HOMECARE OPTION PROGRAM FOR THE ELDERLY (HOPE).*****SUMMARY:**

This bill exempts dividends and capital gains earned on contributions to an account in the Homecare Option Program for the Elderly (HOPE) from the designated account beneficiary's state income tax. Interest earned on such contributions is already exempt.

It expands the specified people who can benefit from a HOPE account to include any designated beneficiary. Under current law, only a person who enters the HOPE participation agreement or who is later designated as that person's spouse or civil union partner can benefit.

Finally, the bill adds certain requirements and stipulations concerning the status of the HOPE trust fund, its relationship to the state, and how deposits must be administered.

HOPE allows participants to establish individual savings accounts within a state-administered trust fund. It allows an account's designated beneficiary to withdraw funds for qualified home care expenses that (1) are either not covered by a long-term health insurance policy or supplement services covered by such a policy or by Medicare and (2) will allow them to remain in their homes or live in a non-institutional setting as they age. HOPE is administered by the state comptroller.

EFFECTIVE DATE: July 1, 2008. The tax exemption applies to tax years starting on or after January 1, 2008.

HOPE TRUST FUND REQUIREMENTS

The bill makes the HOPE trust fund an instrumentality of the state performing essential functions and makes the comptroller responsible for receiving, maintaining, administering, investing, and disbursing funds from it.

It requires the trust to receive and hold all deposits, gifts, bequests, endowments, government grants, and other funds, and the earnings on those funds, until disbursed to a designated beneficiary for qualified home care expenses. Depositors and beneficiaries cannot direct how their contributions are invested, but may choose specific investment options that the comptroller may establish within the trust.

HOPE deposits must be made in cash. Amounts deposited in individual HOPE accounts are not state property and cannot be combined with state funds. The state has no claim on, or interest in, the funds. Trust contracts and obligations are not state obligations and the state has no obligation to designated beneficiaries or others on account of the trust. Trust payment obligations are limited to amounts available for them on deposit with the trust. Deposits can only be disbursed in accordance with the HOPE law. The trust continues as long as it has deposits or obligations and until terminated by law. Deposits not claimed when the trust terminates return to the state.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 0 (03/14/2008)